

**MINUTES OF THE
UTAH TAX REVIEW COMMISSION**

Thursday, September 10, 2009 – 1:30 p.m. – Room 445 State Capitol

Members Present:

Mr. M. Keith Prescott, Chair
Mr. Mark K. Buchi
Rep. John Dougall
Ms. Janis A. Dubno
Sen. Brent Goodfellow
Sen. Lyle W. Hillyard
Comm. Bruce Johnson
Mr. Bruce Jones
Rep. Todd E. Kiser
Mr. Dixie Leavitt
Sen. Wayne L. Niederhauser

Members Absent:

Mr. David Crapo, Vice Chair
Mr. Larry Barusch
Ms. Kathleen Howell
Rep. Christine A. Johnson

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela Oakes Stallings, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. TRC Business

Chair Prescott called the meeting to order at 1:34 p.m. He excused Vice Chair Crapo, Mr. Barusch, and Ms. Howell from the meeting.

MOTION: Rep. Dougall moved to approve the minutes of the August 13, 2009 meeting. The motion passed unanimously with Sen. Goodfellow, Sen. Hillyard, and Mr. Jones absent for the vote.

2. Sales and Use Tax Working Group

Mr. Buchi distributed and discussed "Sales and Use Tax Study - Proposed Amendments: September 9, 2009," *Utah Code Ann.* Section 59-12-104.5, and "Suggested Framework for an Evaluation of Utah's State and Local Sales and Use Tax System." He recommended that the TRC provide the one page summary from the sales and use tax working group to the Legislature and include, without recommendation, the working group report. He also suggested setting up a framework for the continuation of the sales and use tax study for the following year.

Mr. Leavitt commended the working group for its report and the issues that it raises. He asked about the status of efforts to collect sales and use taxes on remote sales. Comm. Johnson said that Utah is affiliated with the Streamlined Sales Tax Project which is a group of states that are attempting to harmonize administration of sales and use taxes between member states.

MOTION: Mr. Leavitt moved that the TRC provide the one page summary from the sales and use tax working group to the Legislature and include, without recommendation, the working group report. The motion passed unanimously with Rep. Kiser absent for the vote.

3. Cigarette and Tobacco Products Excise Taxes

Mr. Howe distributed and discussed a letter to the chairs of the Revenue and Taxation Interim Committee. He explained the cigarette and tobacco excise tax working group drafted the letter, which answers questions posed by the chairs regarding various issues associated with excise taxes on cigarettes and tobacco products.

TRC discussion followed.

Rep. Dougall suggested that the letter be amended on page 10, second to last bullet point, by inserting the word "not" after "is" and "for immediate purposes" after "revenue." He also suggested that the balance in the trust fund and the revenue that came into the trust fund be added to the top of page 10.

Ms. Dubno suggested inserting on page 2, first line, "(albeit on a discretionary purchase)" after "regressive tax."

MOTION: Rep. Dougall moved to adopt the letter with the following changes:

- on page 2, first line, insert "(albeit on a discretionary purchase)" after "regressive tax";
- on page 9, insert updated information for Table 2;
- on page 10, top of the page, add a bullet point stating the balance in the trust fund and the revenue that came into the trust fund;
- on page 10, second to last bullet point, insert "not" after "is" and "for immediate purposes" after "revenue";
- on the bottom of page 10, add a chart showing the growth in the trust fund; and
- include addendums requested by Sen. Niederhauser.

He also moved to forward the letter to the chairs of the Revenue and Taxation Interim Committee. The motion passed unanimously with Sen. Hillyard absent for the vote.

4. State Corporate Income Tax - Apportionment of Business Income

Mr. Jonathan Ball, Legislative Fiscal Analyst, and Mr. Thomas Young, Fiscal Analyst, Office of the Legislative Fiscal Analyst, explained how the fiscal analysis was completed on 2009 General Session S.B. 59, "Allocation and Apportionment of Income and Deduction of a Net Loss." They also explained where the data for that analysis originated.

Comm. Johnson noted that P.L. 86-272 prevents a state from imposing a state corporate income tax on a business if the business' only presence in the state is the mere solicitation of sales.

Mr. Ron Hilton, representing fairtax.org, spoke in support of a consumption tax.

Comm. Johnson distributed and discussed a letter to the governor on the taxation of health insurance premiums and medical copayments. He also distributed and discussed a letter from the Utah State Tax Commission's Taxpayer Services Division responding to the first letter.

5. Other Items / Adjourn

MOTION: Comm. Johnson moved to adjourn the meeting. The motion passed unanimously with Sen. Hillyard absent for the vote.

Chair Prescott adjourned the meeting at 3:30 p.m.